

Message Text

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ORIGIN NEA-09

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S/PRS: MR. FUNSETH (INFO)

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FM SECSTATE WASHDC

TO AMEMBASSY COLOMBO IMMEDIATE

INFO AMEMBASSY NEW DELHI IMMEDIATE

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E.O. 11652:N/A DECONTROL UPON RELEASE

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SUBJECT: PL 480, TITLE I

REF: COLOMBO 0870

NEW DELHI FOR KUX

1. PROPOSED TEXT IS APPROVED WITH MINOR CHANGES AS INDICATED:

2. QUOTE: SRI LANKA AND U.S. SIGN AGREEMENT FOR DOLS 32.5 MILLION FOR WHEAT FLOUR AND FERTILIZER TO HELP COMBAT DROUGHT SITUATION.

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COLOMBO -- SRI LANKA AND THE UNITED STATES SIGNED A PL 480 TITLE ONE AGREEMENT FOR THE SALE OF 100,000 METRIC TONS OF WHEAT FLOUR AND AN AID LOAN AGREEMENT TO FINANCE THE IMPORT OF CHEMICAL FERTILIZERS AND PROVIDE TECHNICAL SERVICES TO THE AGRICULTURAL SECTOR OF SRI LANKA'S ECONOMY.

ALTHOUGH THE ACTUAL TONNAGE OF WHEAT FLOUR PROVIDED BY THE UNITED STATES WAS HIGHER IN SOME YEARS WHEN PRICES WERE LOWER, THE PRESENT WHEAT FLOUR LOAN OF \$24.5 MILLION (RS. 153,348,400) IS THE LARGEST DOLLAR AMOUNT OF PL 480

FOOD ASSISTANCE TO SRI LANKA FOR ANY SINGLE YEAR IN THE HISTORY OF THE U.S. FOOD ASSISTANCE PROGRAM. THE DECISION OF THE UNITED STATES TO INCREASE THE SIZE OF THE PROGRAM WAS INFLUENCED BY THE DROUGHT SITUATION EXPERIENCED THIS YEAR IN SRI LANKA.

THE WHEAT FLOUR WILL BE PROVIDED UNDER THE U.S. PUBLIC LAW 480 (PL 480) TITLE ONE (FOOD-FOR-PEACE) PROGRAM. THE FERTILIZER AND TECHNICAL SERVICES, VALUED AT \$8 MILLION (RS. 51,680,000), WILL BE PROVIDED UNDER THE U.S. FOREIGN ASSISTANCE ACT.

PROFESSOR H.A. DE S. GUNASEKERA, SECRETARY TO THE MINISTRY OF PLANNING AND ECONOMIC AFFAIRS, SIGNED FOR SRI LANKA AND THE UNITED STATES AMBASSADOR, MR. CHRISTOPHER VAN HOLLEN, SIGNED FOR THE U.S. IN A CEREMONY AT THE MINISTRY.

AMBASSADOR VAN HOLLEN SAID THE PL 480 TITLE ONE FOOD PROGRAM EXCEEDS BY \$16.5 MILLION THE AMOUNT OF ASSISTANCE WHICH THE UNITED STATES PLEDGED TO SUPPLY TO SRI LANKA AT THE MAY 1974 MEETING IN PARIS OF NATIONS AIDING SRI LANKA.

AMBASSADOR VAN HOLLEN ALSO POINTED OUT THAT THE FERTILIZER AGREEMENT IS THE FIRST AMERICAN DEVELOPMENT ASSISTANCE LOAN TO SRI LANKA SINCE 1969 AND IS THE LARGEST SINGLE ECONOMIC DEVELOPMENT LOAN WHICH THE U.S. HAS MADE TO SRI LANKA. AMERICAN ECONOMIC AID TO SRI LANKA IN RECENT YEARS HAS BEEN SUPPLIED EXCLUSIVELY UNDER THE PL-480 FOOD-FOR-PEACE PROGRAM.

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THE AMBASSADOR SAID, "OUR ASSISTANCE TO SRI LANKA IS PROVIDED IN A SPIRIT OF FRIENDSHIP THAT MARKS THE RELATIONSHIP BETWEEN OUR TWO PEOPLES.

"AS PRESIDENT FORD SAID ON MARCH 18, 'PROGRAMS TO HELP PEOPLE IN THE DEVELOPING COUNTRIES ARE AN EXPRESSION OF AMERICAN COMPASSION. BUT SUCH AID, ALSO, IS PART OF THE

CONTINUING EFFORT TO ACHIEVE AN ENDURING STRUCTURE OF
WORLD PEACE."

THE CONCESSIONAL 40-YEAR CREDIT TERMS FOR BOTH AGREEMENTS
ARE IDENTICAL: A 10-YEAR GRACE PERIOD WITH THE PRINCIPAL
REPAYABLE OVER 30 YEARS THEREAFTER. THE INTEREST IS 2
PCT DURING THE GRACE PERIOD AND 3 PCT DURING THE REMAINING
30 YEARS. UNQUOTE. INGERSOLL

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